Agreement between India and China in Banking Sector

895. SHRI BHAGABAN MAJHI : Will the Minister of FINANCE be pleased to state :

(a) whether the Co-operation has been established between India and China in the field of banking;

(b) whether any agreement has been signed between the countries for the purpose; and

(c) if so, the details thereof?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V.CHANDRASHEKARA MURTHY): (a) *to* (c) Reserve Bank of India (RBI) has intimated that Memorandum of Understanding (MOU) on Banking Cooperation has been signed by RBI with the People's Bank of China on 22nd October, 1994. Both the Central Bank of India and China have reached an understanding that SBI and other major Indian banks shall strengthen correspondent banking arrangements with Chinese banks operating in China and outside India for handling trade and economic relations in accordance with the regulations of both the countries. Both banks shall also consider favourably the opening of representatives offices by banks from the other country subject to current regulation existing in each country.

Performance of Commercial Banks

896. SHRI O. P. KOHLI: Will the Minister of FINANCE be pleased to state:

(a) whether Reserve Banks of India (RBI) have taken steps to reduce the amount of overdues and improve the recovery performance of the commercial banks in respect of their advances to various sectors;

(b) if so, the details thereof and the outcome thereof;

(c) the details of the top ten defaulters of repayment of loans indicating the amount of loans outstanding against each one of them; bank-wise;

(d) since when these loans are outstanding; and

(e) the reasons for the concerned banks to have failed to realise their dues from these defaulters?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V.CHANDRASHEKARA MURTHY): *(a) and (b)* Reserve Bank of India (RBI) have taken various steps to reduce the amount of overdues and to improve the recovery performances of the commercial banks in respect of their advances to various sectors. The effective performance in this regard is looked into by RBI primarily during the inspection carried out at periodic intervals. The non-performing assets of commercial banks commented in the inspection reports is closely monitored emphasising, among others, the need for better recovery performance during the time of discussion with the Chairman & Managing Director of the concerned banks. In addition, RBI has also prescribed prudential norms regarding capital adequacy, income recognition, assets classification and provisioning, so as to improve the asset quality of banks, provision of clause regarding the need to set up a Recovery Cell at Head Office in the Memorandum of Understanding (MOU) signed by the banks, setting up recovery tribunals etc.

(c) and (d) In accordance with the statutes governing the nationalised banks and in keeping with the practices and usages customary amongst the bankers, information relating to the affairs of their constituents is not disclosed.

(e) Some of the reasons generally responsible for turning advances into non-performing assets as follows:—

(i) Units have been found to be non-viable due to wrong/inadequate project appraisal, technological obsolescence, financial problems, etc.

(ii) Compromise proposal recommended by banks not accepted/followed by the companies.

(iii) Increase in input cost/recession in industry/power cuts, etc.

(iv) Closure of Units.

(v) Diversion of funds to other projects.

(vi) Business failure due to stiff competition etc.

Misclassification of Government Expenditure

897. SHRI O.P. KOHLI: Will the Minister of FINANCE be pleased to state:

(a) whether the Ministries/Departments of the Government of India have not been preparing their budget estimates with adequate application of mind and have also not been keeping constant and effective watch over the trend of expenditure;

(b) if so, the reasons therefor and the steps taken to check such irregularities in future;

(c) the number of cases of the type that have come to light in the last five years; and

(d) whether Government departments/Ministries have been misclassifying the expenditure to hide overspending?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI M.V. CHANDRASHEKARA MURTHY) : (a) and (b) The procedures to be followed for framing of Budget Estimates are laid down in the General Financial Rules of the Government. Supplementary instructions are also issued from time to time. Based on these Ministries/Departments prepare their budget proposals.

The actual expenditure is incurred against appropriate sanctions and the flow of expenditure during the year is closely monitored with reference to the sanctioned provisions.

(c) Cases where excess over the sanctioned provision have occurred during the five years upto 1991-92 are given in the statement (*See* below).

(d) No such instances of deliberate misclassification of expenditure have come to notice.

Statement

Number of cases of excess expenditure over sanctioned provision yearwise for 5 years from 1987-88

(Rupees in crores)

Year	Total number of Demands	Total number of Demands in which excess expenditure occurred	Total Appropriation	Total aomunt of excess	Percentage of (5) to (4)
1987-88	92	13	239900.36	146.74	0.06
1988-89	94	7	231588.08	263.41	0.11
1989-90	95	10	252411.51	780.40	0.31
1990-91	95	7	252890.66	627.73	0.25
1991-92	98	7	232519.05	104.27	0.04